



## *Report to the Auburn City Council*

Action Item

Agenda Item No. **11**

City Manager's Approval

**To:** Mayor and City Council Members  
**From:** Rich Ramirez, Interim City Manager  
**Date:** May 12, 2014  
**Subject:** Certified Public Accounting Firm/ VTD, LLP & Budget Schedule

### **Recommendation**

Authorize the Interim City Manager to retain VTD, a certified public accounting firm, as the City's contract Finance Director and set the general review of the FY 2015 Budget by the Administrative Committee tentatively for May 15, 2014 at 5:30 PM and the City Council's first FY 2015 budget hearing as a Special Meeting on May 22, 2014 at 5:30 PM, provided a majority of the City Council can make this date.

### **Background**

As contained in Exhibit I attached hereto and made a part of this Council Report, the City retained VTD as the City's contract accountant following the Departure of then Administrative Services (Finance) Director, Kim Juran. As detailed in the Council Staff Report dated February 24, 2014, the accounting and budget functions of the City were not current at that time. This condition delayed the delivery of the mid-year budget, while not providing timely accounting data to your Department Managers on the status of the City's finances. I am pleased to report that since taking on the City's accounting functions in March, in two short months, VTD has completed five months of previously unreconciled bank statements while all journal entries are now current though April. Likewise, they have started a review of current practices and ordinances affecting the City's financial operations. VTD's findings and recommendations should be ready for Auburn's new City Manager (Tim Rundel) in the fall.

As detailed by the Interim City Manager, the plan was to present the new City Manager a completed recruitment for a new Administrative Services Director, allowing the new City Manager to interview the final top candidates. However, based on the above condition of the finance operation, and upon further observation, such a move would have been premature at best. In short, a more flexible solution was to retain VTD thereby allowing time for the new City Manager to learn more about the City's accounting and budgeting needs, in consultation with VTD.

To provide continuity to that plan, VTD's contract needs to be extended given it expires in June 2014. Exhibit II identifies VTD's engagement terms and conditions. Under the new agreement, VTD is on a month-to-month basis with a 60-day termination clause. Regardless, VTD's engagement terminates on or before June 2015 unless extended. This will allow VTD, working with Mr. Rundel, to undertake the year-end financial close out, prepare the City for the audit, "tee up" the mid-year report, in preparation of the FY 2016 budget and handle the day-to-day accounting function of the City.

### **FY 2015 Budget**

To that end, and as part of the recommendation, the City Council needs to identify a date for the first hearing on the FY 15 Budget. Provided the Administrative Committee of the City Council, (Mayor Powers and Council Member Kirby can meet on May 15, 2014 to review the overall budget picture), the proposed date for the first hearing on the Budget is May 22, 2014.



## *Report to the Auburn City Council*

### EXHIBIT 1

City Manager's Approval

**To:** Honorable Mayor and City Council Members  
**From:** Rich Ramirez, Interim City Manager  
**Date:** February 24, 2014  
**Subject:** Retaining Interim Accounting Services Agreement

#### *The Issue*

Mid-March the City's Administrative Services Director (ASD) will be leaving City service. The City will need to "backfill" with staffing resources for the Department of Administrative Services to: a) keep the Mid-Year Budget on schedule; b) to complete the timely preparation of the FY 2015 Budget; c) to close out and keep current other fiscal records, e.g., PERS reporting; d) undertake the year in audit; e) transact human resource functions on a timely basis; e) to address/improve ongoing documentation, General Ledger posting and IT needs of the City.

#### *Conclusions and Recommendations*

The Interim City Manager is seeking authorization, by resolution, to retain staffing resources (temporary and contract) for the Administrative Services Department (Finance) not to exceed \$50,000. Funding to cover the aforementioned shall come from salary savings within the Administrative (Finance) Services Budget (see Resolution).

#### *Background*

Due to circumstances beyond the control of the City, there has been more than the usual turnover in the Administrative Services/Finance Department:

- June 2013, the City's long time Administrative Services Director (ASD), announced his separation from City for another position;
- July 2013 the City Manager (CM) backfilled the position with an Interim ASD (Anna Jatczak) concurrently retaining a recruiter, Dave Mackowiak, to find a replacement for the position vacated by Mr. Heath;
- Regrettably, after about two months (c. September 2013) the Interim ASD (Jatczak) left the position;

- Following the departure of the Interim ASD, the City retained the services of the former long-time ASD, Andy Heath, to “fill-in and “help-out” the Administrative Services Department on a part-time basis. Mr. Heath was retained at an hourly contract rate of \$85 per hour not to exceed \$30,000. This arrangement was terminated once a new ASD was hired;
- Following Mr. Mackowiak’s recruitment of a new ASD, the City retained Ms. Kimberly Juran as the new ASD November 2013.
- Late January 2013, Ms. Juran informed the CM that she too would be leaving due to family considerations.
- February 11<sup>th</sup>, the City’s new Interim CM started;

Based on the above, and in light of a number of pressing matters before the ASD including but not limited to: filling several potential line staff positions due to retirements or separations, labor negotiations, mid-year and FY 2015 budget preparation, managing the City’s investment portfolio, and handle the day to day business transactions of the ASD, there is a need for ongoing financial and accounting support to the City.

Such support will be needed until a new Administrative Services Director is hired sometime after a new regular full-time City Manager is retained.

To expedite the process of securing staffing support, the City has begun the process of contacting/interviewing various potential staffing resources to find temporary/interim staff support for the Department. The ASD Staff support will be in two areas: 1) taking care of the general ledger, postings budget and accounting management, IT and human resource functions and the other day to day, but critical tasks within the Department and; 2) securing the dedicated support for the preparation of the FY 2015 Budget. To that end, Andy Heath would be retained at a rate \$85 per hour to assist the Interim City Manager in the preparation of the FY 2015 budget while assisting in the mid-year budget preparation.

Concurrently, the Interim City Manager will commence the preparation of a recruitment schedule and undertake the recruitment **up to the point of interviews with candidates.** The purpose of this effort is to have in place, upon the arrival of a new regular fulltime City Manager (CM), candidates that the new CM can interview and retain for the City’s finance functions.

#### **Alternatives**

Do not approve the attached resolution and direct the Interim City Manager to have Staff absorb all outstanding and ongoing ASD function with existing staffing resources.

**Fiscal Impact**

Savings from the vacant Director position will cover the cost of interim staffing. Staff anticipates that the hourly rate for interim staffing services will range from \$75 - \$95 per hour.

**Attachments**

Resolution



**Vavrinek, Trine, Day & Co., LLP**  
Certified Public Accountants

## EXHIBIT 2

April 24, 2014

Attn: Richard Ramirez  
City of Auburn  
1225 Lincoln Way, Room 9  
Auburn, CA 95603

Re: Financial and Accounting Services

Dear Mr. Ramirez:

This engagement letter is to update our agreement for non-audit services with the City of Auburn. The standards to which Vavrinek Trine Day & Co., LLP ("VTD") will conform are intended to maintain objectivity and independence for both audit work and for non-audit work with government audit clients.

The standard for non-audit services for government audit clients is based on two overarching principles:

- Auditors (VTD) should not perform management functions or make management decisions; and
- Auditors (VTD) should not audit their own work or provide non-audit services in situations where the amounts or services involved are significant / material to the subject matter of the audit.

Based upon these principles, VTD will not be considered to be independent for the purposes of performing attest work (auditing) for the city covering fiscal years 2013-14, 2014-15 and 2015-16.

### **OBJECTIVE OF ENGAGEMENT**

The firm of Vavrinek Trine Day & Co., LLP is available to assist you with financial consulting and accounting services covering your accounting records. Our firm is ready to begin work on this project whenever the city is ready to commence.

### **SCOPE OF WORK**

Specific services to be provided follow.

- Serve as the City's interim finance manager
- Provide set hours for the finance department operations Monday thru Thursday of each week
- Analyze and implement current or needed internal controls
- Oversee the preparation of the City's payroll function
- Perform the accounts payable and disbursement function
- Oversee the accounts receivable and billing functions
- Assist in responding to customer service inquiries
- Assist with federal, state and local financial reporting
- Reconcile bank accounts to your City's general ledger system.
- Update accounting records and prepare related journal entries.
- We will provide accounting assistance in closing the City's books each month.

### **CLIENT RESPONSIBILITIES**

The work will be non-audit services as defined by Governmental Auditing Standards issued by the Comptroller General of the United States. Our work will not constitute an audit or review of transactions and should not be relied upon as such.

The City is responsible for the appropriate recording and reporting of financial transactions and management decisions. Accordingly, all work will be conducted at your direction, the direction of the General Manager, to insure that the work meets the City's objectives. The City Manager will be responsible for reviewing and accepting any work product directly prepared by VTD, including any adjustments to the accounting records that may be proposed by VTD, or reports drafted by VTD during the engagement. Governmental Auditing Standards require that the City be responsible for the substantive outcomes of VTD work and be in a position in fact and appearance to make an informed judgment on the results of the non-audit services and that the City of Auburn:

- Designate a knowledge management level individual to be responsible and accountable for overseeing the non-audit services
- Establishes and monitors the performance of the non-audit services to ensure that it meets management's objectives.
- Makes any decisions that involve management functions related to the non-audit services and accepts full responsibility for such decisions.
- Evaluates the adequacy of the services performed and any findings that result.

#### **STAFFING**

Vavrinek, Trine, Day & Co., LLP has owners that are not licensed as certified public accountants as permitted under Section 5079 of the California Business and Professions Code. It is not anticipated that any of the non-licensee owners will be performing audit services for the agency.

#### **FEES**

Fees will not exceed \$11,200 per month through fiscal year June 30, 2015 and continue on monthly until otherwise notified in writing by the City. Additional charges must be authorized by the City in writing. Invoices will be submitted monthly and due upon receipt. Hourly rates are effective through June 30, 2016.

<b>VTD Staff</b>	<b>Hourly Rate</b>
Partner	\$165
Manager	\$145
Accounting Supervisor	\$125
Senior Accountant	\$85
Staff Accountant	\$70

Extra services from September 1<sup>st</sup> through December 31 of each year will be charged at higher hourly rates as noted below. Such services will be agreed upon in writing between the City and VTD:

<b>VTD Staff</b>	<b>Hourly Rate</b>
Partner	\$195
Manager	\$175
Accounting Supervisor	\$145
Senior Accountant	\$110
Staff Accountant	\$85

### CONDITION FOR PRICING

The hourly rates and monthly fee for the routine services are contingent upon the City maintaining the existing personnel and management team as currently assembled. Upon changes of the management team, VTD and the City may renegotiate the pricing structure. The pricing above does not include other services that may be mutually agreed upon by the City and VTD.

### TERMINATION OF ENGAGEMENT

The engagement may be terminated by either party without cause with 90 days notice in writing.

### INDEPENDENT CONTRACTOR

We are an independent contractor as defined by Federal and State taxing authorities.

### INSURANCE

We maintain current worker compensation and liability insurance policies.

If this letter correctly sets forth your understanding of the terms and objectives of the engagement, please indicate by signing in the space provided below.

Agreed to by:



Joseph Aguilar

**Of Vavrinek Trine Day & Co., LLP**

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

Print Name \_\_\_\_\_

**Of City of Auburn**

Date: \_\_\_\_\_